



SENATE REPUBLICAN

POLICY COMMITTEE

## Conference Report Highlights

April 25, 2007

### **Highlights of the Conference Report to Accompany H.R. 1591 – the Democrat Supplemental Appropriations Act for 2007**

*The Conference Report, H.Rept. 110-107 was filed on April 24, 2007. No House or Senate Republican signed the Conference Report.*

#### **Noteworthy**

- The Senate is likely to consider the Conference Report to Accompany H.R. 1591, the Democrat Supplemental Appropriations bill on Thursday. At press time, it was expected that the House will pass the Conference Report on Wednesday April 25.
- Chapter Nine of Title I contains the provisions constraining the ability of the President as Commander-in-Chief to direct the use of force in Iraq, and providing a date certain of no later than October 1, 2007 for beginning the withdrawal of U.S. forces from Iraq. The Conference Report recommends a net of \$124.24 billion in appropriations compared to the House-passed level of \$124.3 billion and the Senate-passed level of \$122.8 billion. In comparison, the President requested \$103.02 billion— a difference of nearly \$21.22 billion.
- The bill's Title I provides \$109.3 billion in funding for the Global War on Terror, which is nearly \$9.7 billion more than requested.
- The bill includes over \$21 billion in unrequested items. Among them are Title V, which provides \$3.5 billion in emergency agricultural assistance, and Title VI, which provides \$650.0 million for the SCHIP. Among the conference items that were significantly increased are: \$60 million for salmon fisheries and \$425 million for Secure Rural Schools. The bill also includes provisions passed by neither chamber, such as an extension of the Pharmacy Plus program in Wisconsin.
- Title VII includes a provision that raises the minimum wage over 26 months to \$7.25 an hour. This Title also provides for \$4.84 billion in targeted tax relief, the cost of which is offset.
- On Tuesday, April 24, the President once again reiterated his intention to veto a bill containing these provisions. On March 27, the President issued a veto threat on the Senate-reported bill over two issues — the provisions requiring a date certain for withdrawal of the troops and constraints on the Commander-in-Chief, and also on the bill's "largely unjustified and non-emergency" non-requested funds.

---

## **Highlights**

---

### **Chapter 9 of Title I: Iraq Withdrawal Provisions & Constraints on Use of Force**

Chapter Nine of Title I of the War Supplemental contains the provisions that, as the President describes, “handcuff our generals . . . and begin to pull out of Iraq by an arbitrary date.”<sup>1</sup> They constrain the ability of the President as Commander-in-Chief to direct the use of force in Iraq, and provide a date certain of no later than October 1, 2007 to begin the withdrawal of U.S. forces from Iraq. On Tuesday, April 24, 2007, the President once again reiterated his intention to veto a bill containing these provisions.<sup>2</sup>

- Section 1904 of the bill requires the President to make a determination by July 1, 2007 on whether the Iraqi government is taking action with respect to certain security and political reconciliation matters, such as whether the Iraqi government is, among other things:
  - providing U.S. and Iraqi forces “authority to pursue all extremists” (regardless of sect),
  - sending security forces to Baghdad,
  - “making substantial progress in reducing the level of sectarian violence in Iraq,”
  - amending the Constitution, and
  - changing laws governing
    - oil,
    - elections, and
    - the de-Baathification process.
- Section 1904(f) withholds 50 percent of certain reconstruction funds until the President can make these, and other, certifications.
- Section 1904 then sets up its timeline for withdrawal:
  - July 1, 2007: Withdrawal must begin by this date, with the goal of completing such a withdrawal within 180 days, if the President fails to make any of these determinations;
  - October 1, 2007: Withdrawal must begin by this date, with the goal of completing such a withdrawal within 180 days, even if the President can make the required determinations.
- Section 1904(e) is directed at limiting the President’s ability as Commander-in-Chief to direct the use of force in Iraq. It provides that U.S. forces may not be maintained in Iraq after the withdrawal period for any purpose other than:
  - “engaging in targeted special actions limited in duration and scope to killing or capturing members of al-Qaeda and other terrorist organizations with global reach”;
  - training and equipping Iraqi Security Forces;
  - protecting American diplomatic facilities, citizens, and troops; and
  - “serving in roles consistent with customary diplomatic positions.”

---

<sup>1</sup> George W. Bush, President Discusses Iraq War Supplemental, Apr. 24, 2007.

<sup>2</sup> George W. Bush, President Discusses Iraq War Supplemental, Apr. 24, 2007.

- Sections 1901-03 of the bill provide that none of the funds may be used to:
  - deploy an armed forces unit to Iraq that is not “fully mission capable;”
  - extend the deployment of an Army unit in Iraq beyond 365 days, or a Marine Corps unit beyond 210 days; or
  - deploy an Army unit to Iraq that has been deployed in the last 365 days, or a Marine Corps unit that has been deployed in the last 210 days.

The bill requires a public, written certification for the President to waive these limitations on a “unit-by-unit basis.” This may prove to be politically embarrassing to the Administration.

## **Bill Provisions**

*Note: This section describes the Conference Report, and also includes a description of language, for comparison, from the bill as it passed the Senate (in Arial font and bracketed).*

### **Title I – Global War on Terror Supplemental Appropriations**

#### **Chapter 1: Subcommittee on Agriculture, Rural Development, and Related Agencies**

##### **Foreign Agricultural Service:**

**Conference Report:** The Conference Report provides \$460 million.

**[Senate-passed bill:** Provides \$475 million for Public Law 480 Title II Grants, which is \$125 million above the President’s request and \$25 million above the House-passed bill. This program uses U.S. food to feed and improve the well-being of hungry populations in poor countries.]

#### **Chapter 2: Department of Justice**

##### **Legal Activities:**

**Conference Report:** The Conference Report provides \$6.6 million.

**[Senate-passed bill:** Provides \$16.6 million for General Legal Activities and U.S. Attorneys associated with national security investigations and prosecutions.]

##### **United States Marshals Service:**

**Conference Report:** The Conference Report provides \$6.5 million.

**[Senate-passed bill:** Provides \$32.5 million to provide security for high threat terrorist trials and increased security for judicial and witness security in Iraq and Afghanistan. Of these funds, \$10.1 million is provided to upgrade security at the District of Columbia Courthouse.]

### **National Security Division:**

**Conference Report:** The Conference Report provides \$1.7 million.

**[Senate-passed bill:** Provides \$1.7 million for the National Security Division to support investigations and prosecutions related to the global war on terror, which is equal to the President's request and the House-passed bill.]

### **Federal Bureau of Investigation (FBI):**

**Conference Report:** The Conference Report provides \$268 million. Of this funding, \$10.0 million is to implement corrective actions in response to the findings and recommendations in the Department of Justice Office of Inspector General report titled, "A Review of the Federal Bureau of Investigation's Use of National Security Letters."

**[Senate-passed bill:** Provides \$348.3 million for FBI operations in Iraq and Afghanistan, and additional funding for the ongoing global war on terror. Of this funding, \$10.0 million is to implement corrective actions in response to the finding and recommendations in the Department of Justice Office of Inspector General report titled, "A Review of the Federal Bureau of Investigation's Use of National Security Letters."]

### **Drug Enforcement Administration (DEA):**

**Conference Report:** The Conference Report provides \$12.2 million.

**[Senate-passed bill:** Provides \$25.1 million to hire additional DEA staff, to support narco-terrorism investigations, and to attack the financial infrastructure of drug-trafficking organizations operating in Afghanistan, which is \$16.6 million above the President's request and the House-passed bill.]

### **Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF):**

**Conference Report:** The Conference Report provides \$4.0 million.

**[Senate-passed bill:** Provides \$4.0 million for ATF for costs of operations in Iraq, which is equal to the President's request and the House-passed bill.]

### **Federal Prison System:**

**Conference Report:** The Conference Report provides \$17.0 million.

**[Senate-passed bill:** Provides \$17.0 million to monitor incarcerated terrorists, collect intelligence, and coordinate with and disseminate relevant information to other law enforcement agencies, which is equal to the President's request and the House-passed bill.]

## **Chapter 3: Subcommittee on Defense**

The Conference Report provides \$95.53 billion to the Department of Defense for operations related to the global war on terror.

**Military Personnel:** Provides \$13.51 billion for the Department’s Military Personnel, which is \$1.16 billion above the President’s request, \$59.0 million below the House-passed bill, and \$72.6 million above the Senate-passed bill.

<b>Military Personnel (in millions of dollars)</b>	<b>Request</b>	<b>House- passed</b>	<b>Senate- passed</b>	<b>Conference</b>
Army	8,510.27	8,878.90	8,870.27	8,853.35
Navy	692.13	1,100.41	1,100.41	1,100.41
Marine Corps	1,386.87	1,495.83	1,495.83	1,495.83
Air Force	1,101.29	1,229.33	1,218.59	1,218.59
Army Reserve	147.24	173.24	147.24	147.24
Navy Reserve	72.80	82.80	77.52	86.02
Marine Corps Reserve	0.00	15.00	0.00	5.66
Air Force Reserve	3.00	14.10	9.07	11.57
Army National Guard	436.03	552.73	474.98	545.29
Air Force National Guard	0.00	24.60	41.53	44.03
	\$12,349.62	\$13,566.94	\$13,435.45	\$13,507.99

**Operation and Maintenance:** Provides \$50.43 billion for Operation and Maintenance accounts in support of Operation Iraqi Freedom and Operation Enduring Freedom, which is \$281.4 million above the President’s request, \$2.07 billion below the House-passed bill, and \$1.65 billion above the Senate-passed bill. This spending provides funds for the incremental cost of ground operations, flying hours, logistics support, fuel, travel, and transportation. The majority of the “surge” costs are operation and maintenance costs.

<b>Operations and Maintenance (in millions of dollars)</b>	<b>Request</b>	<b>House- passed</b>	<b>Senate- passed</b>	<b>Conference</b>
Army	20,423.38	20,897.67	20,373.38	20,373.38
Navy	5,040.48	5,115.40	4,865.00	4,676.67
Marine Corps	1,401.59	1,503.69	1,101.59	1,146.59
Air Force	7,035.88	6,909.26	6,685.88	6,650.88
Defense-wide	3,279.31	2,855.99	2,790.67	2,714.49
Army Reserve	74.05	74.05	74.05	74.05
Navy Reserve	111.07	111.07	111.07	111.07
Marine Corps Reserve	13.59	13.59	13.59	13.59
Air Force Reserve	10.16	10.16	10.16	10.16
Army National Guard	83.57	133.57	83.57	83.57
Air Force National Guard	38.43	38.43	38.43	38.43
Afghanistan Security Forces Fund	5,906.40	5,906.40	5,906.40	5,906.40

Iraq Security Forces Fund	3,842.30	3,842.30	3,842.30	3,842.30
Iraq Freedom Fund	455.60	155.60	455.60	355.60
Joint IED Defeat Fund	2,432.80	2,432.80	2,432.80	2,432.80
Strategic Reserve Readiness Fund	0.00	2,500.00	0.00	2,000.00
	\$50,148.61	\$52,499.98	\$48,784.49	\$50,429.98

**Procurement:** Provides \$25.59 billion for procurement in various procurement accounts, which is \$775.7 million above the President's request, \$778.6 million above the House-passed bill, and \$1.08 billion above the Senate-passed bill. This spending provides funds for force protection equipment, the restoration of equipment lost in operations, the recapitalization of equipment used in operations, and the equipping of units supporting upcoming rotations.

<b>Procurement (in millions of dollars)</b>	<b>Request</b>	<b>House- passed</b>	<b>Senate- passed</b>	<b>Conference</b>
Army Aircraft	627.75	461.85	619.75	619.75
Army Missile	160.17	160.17	111.47	111.47
Army Weapons and Tracked Combat Vehicles	3,502.32	3,474.39	3,400.32	3,404.32
Army Ammunition	681.50	681.50	681.50	681.50
Army Other	10,946.69	10,197.40	10,589.27	11,076.14
Navy Aircraft	730.71	995.80	963.90	1,090.29
Navy Weapons	171.81	171.81	163.81	163.81
Navy and Marine Corps Ammunition	159.83	159.83	159.83	159.83
Navy Other	745.43	937.41	722.51	748.75
Marine Corps Procurement	2,055.72	1,885.38	1,703.39	2,252.75
Air Force Aircraft	1,726.34	2,474.92	1,431.76	2,106.47
Air Force Missile	140.30	140.30	78.90	94.90
Air Force Ammunition	95.80	95.80	6.00	6.00
Air Force Other	2,092.75	2,042.18	1,972.13	2,096.20
Defense-wide	979.38	934.93	903.09	980.05
National Guard and Reserve Equipment	0.00	0.00	1,000.00	0.00
	\$24,816.49	\$24,813.67	\$24,507.63	\$25,592.22

The Conference Report recommends \$3.03 billion for the mine resistant ambush protected vehicle (MRAP), which is \$1.2 billion more than the President's request.

**Research, Development, Test and Evaluation:** Provides \$1.10 billion in various research, development, test, and evaluation accounts, which is \$349.0 million below the President's request, \$63.4 million above the House-passed bill, and \$91.8 million below the Senate-passed level. This

spending provides funds that support Army modularity, force protection, equipment improvements, and classified activities.

<b>Research and Development (in millions of dollars)</b>	<b>Request</b>	<b>House-passed</b>	<b>Senate-passed</b>	<b>Conference</b>
Army	115.98	60.78	125.58	100.01
Navy	460.18	295.74	308.21	298.72
Air Force	220.72	132.93	233.87	187.18
Defense-wide	650.86	545.90	522.80	512.80
	\$1,447.74	\$1,035.35	\$1,190.46	\$1,098.71

### **Revolving and Management Funds:**

**Conference Report:** The Conference Report provides \$1.32 billion.

**[Senate-passed bill:** Provides \$1.32 billion for Revolving and Management Funds, which is equal to the President's request and the House-passed bill.]

### **Other Department of Defense Programs:**

**Conference Report:** The Conference Report provides \$3.51 billion. This funding includes: \$3.25 billion for the Defense Health Program and \$254.7 million for Drug Interdiction and Counter-Drug Activities.

**[Senate-passed bill:** Provides \$2.72 billion for a range of Department programs, which is \$1.34 billion above the President's request but \$327.3 million below the House-passed bill. This funding includes: \$2.47 billion for the Defense Health Program and \$254.7 million for Drug Interdiction and Counter-Drug Activities (only in Afghanistan and Pakistan), which is \$4.5 million less than the President's request.]

### **Related Agency:**

**Conference Report:** The Conference Report provides \$71.7 million.

**[Senate-passed bill:** Provides \$71.7 million for the Intelligence Community Management Account, which is \$5.0 million above the President's request and \$14.3 million above the House-passed bill.]

### **General Provisions**

- Sections 1302 provides DoD with general transfer authority of \$3.5 billion.
- CERP Authorities: Section 1307 provides up to \$456.4 million for the Commander's Emergency Response Program in Iraq and Afghanistan.
- Section 1311 provides that no funds may be expended to establish a permanent military base in Iraq, or exercise control over any oil resource of Iraq.

- Section 1312 provides that no funds may be expended in contravention of the various laws and regulations implementing the United Nations Convention Against Torture.
- Section 1313 directs various elements of the Administration to provide a report on the “individual transition readiness assessments by units of Iraq and Afghan security forces,” and on the proposed use, on a project-by-project basis, of the funds provided under the headings of “Iraq Security Forces Fund” and “Afghan Security Forces Fund.”
- Section 1315 restricts the use of operation and maintenance funds, providing that no more than 85 percent of such funds may be obligated until the Secretary of Defense submits a detailed report on the use of service contracts in Iraq and Afghanistan.
- Section 1316 amends current law to allow servicemembers to designate a portion of their death gratuity to someone other than their next of kin. This provision sunsets on September 30, 2007.
- Section 1318 directs the Secretary of Defense to inspect military medical treatment and medical holdover housing facilities.
- Section 1320 directs the Department of Defense to commission an independent, private-sector entity to assess the readiness and capability of Iraqi Security Forces.

## **Chapter 4: Subcommittee on Energy and Water Development, and Related Agencies**

### **Atomic Energy Defense Activities:**

**Conference Report:** The Conference Report provides \$150.0 million.

**[Senate-passed bill:** Provides \$63.0 million for the National Nuclear Security Administration for Defense Nuclear Nonproliferation activities, which is equal to the President’s request but \$87.0 million above the House-passed level.]

## **Chapter 5: Subcommittee on Homeland Security**

### **Air and Marine Interdiction:**

**Conference Report:** The Conference Report provides \$120.0 million.

**[Senate-passed bill:** Provides \$75.0 million for air and marine interdiction, operations, maintenance, and procurement which is \$75.0 million below the House passed level. The President made no request for this account.]

### **U.S. Customs and Border Protection (CBP):**

**Conference Report:** The Conference Report provides \$115.0 million.



**[Senate-passed bill:** Provides \$140.0 million for Customs and Border Protection which is \$100.0 million above the House-passed level. The President made no request for this account. Included within these funds is: \$100.0 million to enhance the secure freight initiative and to begin implementation of the SAFE Port Act requirements and \$40.0 million to increase officer staffing at northern border ports of entry.]

**Immigration and Customs Enforcement (ICE):**

**Conference Report:** The Conference Report provides \$10.0 million.

**[Senate-passed bill:** Provides \$20.0 million for salaries and expenses for the Immigration and Customs Enforcement. Neither the President's request nor the House-passed bill included similar funding.]

**Transportation Security Administration (TSA):**

**Conference Report:** The Conference Report provides \$970.0 million.

**[Senate-passed bill:** Provides \$660.0 million for the Transportation Security Administration, which is \$590.0 million below the House-passed level. The President made no request for this account. Included in this funding is: \$600.0 million for the installation of explosives detection systems and \$60.0 million to strengthen air cargo security.]

**Federal Air Marshals:**

**Conference Report:** The Conference Report provides \$8.0 million.

**[Senate-passed bill:** Provides \$15.0 million for Federal air marshals. Neither the President's request nor the House-passed bill included similar funding.]

**Preparedness, Management and Administration:**

**Conference Report:** The Conference Report provides \$37.0 million.

**[Senate-passed bill:** Provides \$18.0 million for the Office of the Chief Medical Officer. Neither the President's request nor the House-passed bill included similar funding.]

**Preparedness, Infrastructure Protection, and Information Security:**

**Conference Report:** The Conference Report provides \$15.0 million.

**[Senate-passed bill:** Provides \$18.0 million for ensuring that chemical facilities complete and submit vulnerability assessments. Neither the President's request nor the House-passed bill included similar funding.]

**FEMA:**

**Conference Report:** The Conference Report provides \$677.5 million. Included in these funds is: \$552.5 million for state and local programs and \$100.0 million for Emergency Management Performance Grants to assist State and local governments in updating emergency plans.

**[Senate-passed bill:** Provides \$970.0 million for FEMA. Included in these funds is: \$850.0 million for state and local programs and \$100.0 million for Emergency Management Performance Grants to assist State and local governments in updating emergency plans.]

#### **United States Citizenship and Immigration Services (CIS):**

**Conference Report:** The Conference Report provides \$10.0 million.

**[Senate-passed bill:** Provides \$30.0 million for CIS. Neither the President's request nor the House-passed bill included similar funding.]

#### **Science and Technology:**

**Conference Report:** The Conference Report provides \$10.0 million.

**[Senate-passed bill:** Provides \$15.0 million for Science and Technology for research into improved technology to protect aircraft from explosives and other harmful materials within air cargo. Neither the President's request nor the House-passed bill included similar funding.]

#### **Domestic Nuclear Detection Office (DNDO):**

**Conference Report:** The Conference Report provides \$262.5 million; \$223.5 million for radiation portal monitors and \$39 million for research.

**[Senate-passed bill:** Provides \$39.0 million for the DNDO for non-container, rail, aviation, and intermodal radiation detection activities. The House-passed bill includes \$400 million for radiation portal monitors. The President made no request for this account.]

### **Chapter 6: Subcommittee on the Legislative Branch**

#### **Salaries and Expenses:**

**Conference Report:** The Conference Report provides \$6.4 million for the House of Representatives for business continuity and disaster recovery.

#### **Government Accountability Office (GAO):**

**Conference Report:** The Conference Report provides \$374,000.

**[Senate-passed bill:** Provides \$374,000 to support an ongoing presence in Iraq by the GAO. Neither the President's request nor the House-passed bill included similar funding.]

### **Chapter 7: Subcommittee on Military Construction and Veterans Affairs**

**Military Construction:** Provides \$1.67 billion, which is \$69.8 million below the President's request, \$108.6 million below the House-passed level, and \$26.2 million above the Senate-passed bill.

<b>Military Construction (in millions of dollars)</b>	<b>Request</b>	<b>House-passed</b>	<b>Senate-passed</b>	<b>Conference</b>
Army	1,289.29	1,329.24	1,261.39	1,255.89
Navy and Marine Corps	390.50	389.30	347.89	370.99
Air Force	60.20	60.20	34.70	43.30
	\$1,739.99	\$1,778.74	\$1,643.98	\$1,670.18

### **Base Realignment and Closure Account, 2005:**

**Conference Report:** The Conference Report provides \$3.14 billion.

**[Senate-passed bill:** Provides \$3.14 billion for the Base Closure Account 2005, which is equal to the President's request and the House-passed level.]

**General Provisions:** Section 1701 prohibits the use of funds to close or realign any portion of Walter Reed Army Medical Center until certain conditions are met and certified by the Secretary of Defense.

## **Chapter 8: Subcommittee on State, Foreign Operations, and Related Programs**

### **Diplomatic and Consular Programs:**

**Conference Report:** The Conference Report provides \$870.7 million.

**[Senate-passed bill:** Provides \$815.8 million for Diplomatic and Consular Programs for operations and security at U.S. embassies in Iraq, Afghanistan, and Sudan and global public diplomacy programs, which is \$97.2 million below the President's request and \$151.2 million below the House-passed level. Of this funding, \$372.7 million is for **Provincial Reconstruction Teams**, which is \$41.4 million below the President's request.]

### **Office of Inspector General:**

**Conference Report:** The Conference Report provides \$36.5 million.

**[Senate-passed bill:** Provides \$36.5 million for operations of the Special Inspector General for Iraq Reconstruction and oversight operations of a Middle East Regional Office, which is \$1.5 million above the President's request and \$10.3 million below the House-passed level.]

### **Educational and Cultural Exchange Programs:**

**Conference Report:** The Conference Report provides \$20.0 million.

**[Senate-passed bill:** Provides \$25.0 million for educational and cultural exchange programs, which is \$5.0 million above the President's request and the House-passed level.]

### **International Organizations:**

**Conference Report:** The Conference Report provides \$50.0 million.

**[Senate-passed bill:** Provides \$59.0 million for Contributions to International Organizations, including \$10.7 million for the Food and Agriculture Organization. Neither the President's request nor the House-passed bill included similar funding.]

### **Contributions for International Peacekeeping Activities:**

**Conference Report:** The Conference Report provides \$288.0 million.

**[Senate-passed bill:** Provides \$200.0 million for Contributions for International Peacekeeping Activities, which is equal to the President's request and \$88.0 million below the House-passed level.]

### **Broadcasting Board of Governors:**

**Conference Report:** The Conference Report provides \$10.0 million.

**[Senate-passed bill:** Provides \$10.0 million to expand broadcasting activities to the Middle East, which is equal to the President's request and the House-passed level.]

### **Bilateral Economic Assistance:**

**Conference Report:** The Conference Report provides \$338.2 million. Of this funding, \$161.0 million is to combat the spread of avian influenza and \$165.0 million for International Disaster and Famine Assistance programs.

**[Senate-passed bill:** Provides \$357.7 million for Bilateral Economic Assistance in funds appropriated to the President, which is \$78.0 million above the President's request and \$46.5 million above the House-passed level. Of this funding, \$161.0 million is to combat the spread of avian influenza and \$187.0 million for International Disaster and Famine Assistance programs.]

### **Other Bilateral Economic Assistance, Economic Support Fund:**

**Conference Report:** The Conference Report provides \$2.65 billion. Of this funding, \$737.0 million is for Afghanistan; \$1.57 billion is for Iraq; \$295.0 million is for Lebanon.

**[Senate-passed bill:** Provides \$2.60 billion for the Economic Support Fund, which is \$532.8 million below the President's request and \$350.8 million below the House-passed bill. Of this funding, \$686.0 million is for Afghanistan; \$1.52 billion is for Iraq; \$110.0 million is for Pakistan; and \$265.0 million is for Lebanon. Some of these are provided for through the Democracy Fund.]

### **Assistance for Eastern Europe and the Baltic States:**

**Conference Report:** The Conference Report provides \$229.0 million.

**[Senate-passed bill:** Provides \$214.0 million for Eastern Europe and the Baltic States for assistance for Kosovo, which is \$65.0 million below the President's request and \$25.0 million below the House-passed level.]

### **Democracy Fund:**

**Conference Report:** The Conference Report provides \$260.0 million.

**[Senate-passed bill:** Provides \$465.0 million for activities related to those funded through the Economic Support Fund and Assistance for Eastern Europe and Baltic States. Neither the President's request nor the House-passed bill included similar funding.]

### **International Narcotics Control and Law Enforcement:**

**Conference Report:** The Conference Report provides \$257.0 million.

**[Senate-passed bill:** Provides \$210.0 million (not including a \$13.0 million rescission) for International Narcotics Control and Law Enforcement, which is \$50.0 million below the President's request and \$124.5 million below the House-passed level.]

### **Migration and Refugee Assistance:**

**Conference Report:** The Conference Report provides \$130.5 million.

**[Senate-passed bill:** Provides \$143.0 million to respond to the urgent needs of refugees in Africa and elsewhere, which is \$71.5 million above the President's request and \$31.5 million above the House-passed level.]

### **United States Emergency Refugee and Migration Assistance Fund:**

**Conference Report:** The Conference Report provides \$55.0 million.

**[Senate-passed bill:** Provides \$55.0 million for United States Emergency Refugee and Migration Assistance Fund, which is \$25.0 million above the President's request and \$20.0 million above the House-passed bill.]

### **Non-proliferation, Anti-terrorism, Demining, and Related Programs:**

**Conference Report:** The Conference Report provides \$57.5 million.

**[Senate-passed bill:** Provides \$27.5 million for Nonproliferation, Anti-terrorism, Demining, and Related Programs, which is equal to the President's request and \$60.0 million below the House-passed level.]

### **International Affairs Technical Assistance:**

**Conference Report:** The Conference Report provides \$2.8 million.

**[Senate-passed bill:** Provides \$2.8 million for International Affairs Technical Assistance for continued development of Iraq's electronic payments systems, which is equal to the President's request and House-passed bill.]

### **Peacekeeping Operations:**

**Conference Report:** The Conference Report provides \$230.0 million.

**[Senate-passed bill:** Provides \$323.0 million in funds appropriated to the President for peacekeeping operations, which is \$45.0 million above the President's request and \$98 million above the House-passed bill.]

### **Other General Provisions**

- Section 1811 earmarks \$50.0 million of the funds provided under the “Diplomatic and Consular Programs” heading to support and maintain a civilian reserve corps.
- Section 1812 directs the President to appoint a “Coordinator for Iraq Assistance,” who is to be confirmed by the Senate.
  - Secretary Rice has already appointed Ambassador Timothy Carney to serve as the Coordinator for Economic Transition in Iraq.
  - Also, Ambassador David Satterfield already serves as the Senior Advisor to the Secretary of State and Coordinator for Iraq.

## **Title II – Additional Hurricane Disaster Relief And Recovery**

### **Chapter 1: Subcommittee on Agriculture, Rural Development, and Related Agencies**

**General Provision:** Section 2101 provides \$115.0 million by allowing the Secretary of Agriculture to continue to enroll eligible participants into the Emergency Forestry Conservation Reserve Program. Neither the President nor the House-passed bill included similar language.

### **Chapter 2: Subcommittee on Commerce, Justice, Science, and Related Agencies**

#### **State and Local Law Enforcement Assistance:**

**Conference Report:** The Conference Report provides \$50.0 million. Conferees did not include \$100.0 million in funding for the 2008 Presidential Candidate Nominating Conventions.

**[Senate-passed bill:** Provides \$170.0 million for the Edward Byrne Discretionary Grants for State and local law enforcement. Neither the President's request nor the House-passed bill included similar funding. Of this funding \$100.0 million is for security and related costs associated with the 2008 Presidential Candidate Nominating Conventions. Of the remaining \$70.0 million, \$55.0 million is for initiatives in the State of Louisiana to assist local law enforcement initiatives.]

#### **National Oceanic and Atmospheric Administration (NOAA):**

**Conference Report:** The Conference Report provides \$110.0 million.

**[Senate-passed bill:** Provides \$165.9 million for fisheries disaster recovery efforts, which is \$45.9 million above the House-passed level. The President made no request for supplemental funds for this account. Of

this funding, \$60.4 million is for disaster relief for commercial salmon fishermen along the coasts of California and Oregon due to the 2006 salmon fishery failure in the Klamath River.】

### **National Aeronautics and Space Administration:**

**Conference Report:** The Conference Report provides \$35.0 million.

**[Senate-passed bill:** Did not include funding for this account. The House-passed bill included \$35.0 million for risk mitigation projects at the National Aeronautics and Space Administration.】

**General Provision:** Section 2201 includes language to allow NASA to use up to \$48.0 million in previously appropriated funding to replenish Shuttle and International Space Station programs.

## **Chapter 3: Subcommittee on Energy and Water Development, and Related Agencies**

### **Corps of Engineers Construction:**

**Conference Report:** The Conference Report provides \$25.3 million.

**[Senate-passed bill:** Provides \$150.0 million to accelerate the completion of unconstructed portions of projects related to interior drainage for the greater New Orleans metropolitan area. Neither the President's request nor the House-passed bill included similar funding.】

### **Corps of Engineers Operation and Maintenance:**

**Conference Report:** The Conference Report provides \$20.0 million.

**[Senate-passed bill:** Provides \$3.0 million for emergency dredging needs in Alabama due to the effects of Hurricane Katrina and other hurricanes of the 2005 season. Neither the President's request nor the House-passed bill included similar funding.】

### **Flood Control and Coastal Emergencies:**

**Conference Report:** The Conference Report provides \$1.41 billion.

**[Senate-passed bill:** Provides \$1.41 billion for repairs to flood and storm damage reduction projects in Louisiana affected by Hurricane Katrina and Rita, Pacific Coast storms of January, April, and November 2006, an earthquake that struck Hawaii in October 2006, and other emergency needs.】

## **Chapter 4: Subcommittee on Commerce, Justice, and Science**

### **Disaster Loans Program:**

**Conference Report:** The Conference Report provides \$25.1 million in unobligated balances of the Disaster Loans Program. The Conference Report also provides \$25.0 million in unobligated balances for businesses located in regions affected by the Gulf Coast hurricanes in 2005.

**[Senate-passed bill:** Provides \$25.1 million to the Small Business Administration for administrative expenses for the Disaster Loan Program Account, which is equal to the House-passed level. The President made no request for supplemental funds for this account.]

## **Chapter 5: Subcommittee on Homeland Security**

### **FEMA Disaster Relief:**

**Conference Report:** The Conference Report provides \$4.61 billion.

**[Senate-passed bill:** Provides \$4.31 billion to address the needs of communities impacted by Hurricanes Katrina and Rita, which is \$910.0 million above the President's request and equal to the House-passed level.]

## **Chapter 6: Subcommittee on Interior**

### **Historic Preservation Fund:**

**Conference Report:** The Conference Report provides \$10.0 million.

**[Senate-passed bill:** Provides \$15.0 million for the Historic Preservation Fund to continue restoration efforts in Louisiana. Neither the President's request nor the House-passed bill included similar funding.]

## **Chapter 7: Subcommittee on Labor, Health and Human Services, and Education**

### **Higher Education:**

**Conference Report:** The Conference Report provides \$30.0 million.

**[Senate-passed bill:** Provides \$30.0 million to provide assistance to institutions of higher education that were forced to close, relocate, or significantly curtail activities due to the 2005 Gulf Coast hurricanes, which is equal to the House-passed bill. The President made no request for supplemental funds for this account.]

### **Higher Education Recovery:**

**Conference Report:** The Conference Report provides \$30.0 million.

**[Senate-passed bill:** Provides \$30.0 million for grants hurricane-impacted States and local educational agencies to build the capacity of public schools that were forced to close to suspend due to Hurricanes Katrina or Rita.]

## **Chapter 8: Subcommittee on Transportation, Treasury, and General Government**

### **Emergency Relief Program:**

**Conference Report:** The Conference Report provides \$682.9 million. The conference report also includes language that rescinds unobligated funds from the federal aid for highways programs totaling \$682.9 million.



**[Senate-passed bill:** Provides \$388.9 million to carry out repair and restoration activities under the Emergency Relief program. Neither the President's request nor the House-passed bill included similar funding.]

#### **Federal Transit Administration Formula Grants:**

**Conference Report:** The Conference Report provides \$35.0 million.

**[Senate-passed bill:** Provides \$75.0 million to cover emergency expenses associated with the continuation of transit services in communities affected by Hurricanes Katrina and Rita. Neither the President's request nor the House-passed bill included similar funding.]

#### **Housing and Urban Development (HUD) Office of Inspector General:**

**Conference Report:** The Conference Report provides \$7.0 million.

**[Senate-passed bill:** Provides \$5.0 million for HUD's Office of Inspector General. Neither the President's request nor the House-passed bill included similar funding.]

### **Title III – Other Emergency Appropriations**

#### **National Oceanic and Atmospheric Administration (NOAA):**

**Conference Report:** The Conference Report provides \$60.4 million. Of this funding, \$60.4 million is for disaster relief for commercial salmon fisheries along the Klamath River.

**[Senate-passed bill:** Provides \$165.9 million for fisheries disaster recovery efforts, which is \$45.9 million above the House-passed level. The President made no request for supplemental funds for this account. Of this funding, \$60.4 million is for disaster relief for commercial salmon fishermen along the coasts of California and Oregon due to the 2006 salmon fishery failure in the Klamath River.]

#### **Corps of Engineers Construction:**

**Conference Report:** The Conference Report provides \$153.0 million.

**[Senate-passed bill:** Provides \$153.0 million for emergency dredging needs due to the effects of the hurricanes of the 2005 season and for repairs to eligible Federal facilities. Neither the President's request nor the House-passed bill included similar funding.]

### **Chapter 3: Subcommittee on Interior**

#### **Wildland Fire Management:**

**Conference Report:** The Conference Report provides \$100.0 million.

**[Senate-passed bill:** Provides \$100.0 million for emergency wildland fire suppression activities to the Bureau of Land Management, equal to the House-passed level. The President made no request for supplemental funds for this account.]

#### **United States Fish and Wildlife Service:**

**Conference Report:** The Conference Report provides \$7.4 million.

**[Senate-passed bill:** Provides \$7.4 million for the detection of avian flu in wild birds, which is equal to the House-passed bill. The President made no request for supplemental funds for this account.]

#### **National Park System:**

**Conference Report:** The Conference Report provides \$525,000.

**[Senate-passed bill:** Provides \$525,000 to the National Park System for the detection of avian flu in wild birds, which is equal to the House-passed bill. The President made no request for supplemental funds for this account.]

#### **United States Geological Survey:**

**Conference Report:** The Conference Report provides \$5.3 million.

**[Senate-passed bill:** Provides \$5.3 million for surveys, investigations, and research for the detection of avian flu in wild birds, which is equal to the House-passed bill. The President made no request for supplemental funds for this account.]

#### **National Forest System:**

**Conference Report:** The Conference Report provides \$12.0 million.

**[Senate-passed bill:** Provides \$12.0 million for the national forest system to increase law enforcement operations on national forest lands. Neither the Presidents' request nor the House-passed bill included similar funding.]

#### **Wildland Fire Management:**

**Conference Report:** The Conference Report provides \$400.0 million.

**[Senate-passed bill:** Provides \$400.0 million for emergency wildland fire suppression activities to the Forest Service, which equal to the House-passed bill. The President made no request for supplemental funds for this account. These funds are in addition to the \$100.0 million already provided in this chapter.]

#### **General Provisions:**

**Conference Report:** Section 3301 of the Conference Report provides \$425.0 million to cover any shortfall related to the Secure Rural Schools and Community Self-Determination Act of 2000.

## **Chapter 4: Subcommittee on Labor, Health and Human Services, and Education**

### **Centers for Disease Control and Prevention (CDC):**

**Conference Report:** The Conference Report provides \$13.0 million.

**[Senate-passed bill:** Provides \$13.0 million for research to develop mine-safety technology. Neither the President's request nor the House-passed bill included similar funding.]

### **Low-Income Home Energy Assistance (LIHEAP):**

**Conference Report:** The Conference Report provides \$400.0 million.

**[Senate-passed bill:** Provides \$640.0 million for the LIHEAP program, which is \$240.0 million above the House-passed bill. The President made no request for supplemental funds for this account.]

### **Public Health and Social Services Emergency Fund:**

**Conference Report:** The Conference Report provides \$625.0 million.

**[Senate-passed bill:** Provides \$820.0 million for the Department of Health and Human Services to prepare for an influenza pandemic, which is \$149.7 million below the House-passed bill. The President made no request for supplemental funds for this account.]

### **Covered Countermeasure Process Fund:**

**Conference Report:** The Conference Report provides \$25.0 million.

**[Senate-passed bill:** Provides \$50.0 million for the compensation funds established by the Public Readiness and Emergency Preparedness Act, which is equal to the House-passed bill. The President made no request for supplemental funds for this account.]

## **Chapter 5: Subcommittee on the Legislative Branch**

### **Architect of the Capitol:**

**Conference Report:** The Conference Report provides \$50.0 million.

**[Senate-passed bill:** Provides \$25.0 million for emergency utility tunnel repairs and asbestos abatement, which is \$25.0 million below the House-passed level.]

## **Chapter 6: Subcommittee on Military Construction and Veterans Affairs**

### **Veterans Health Administration, Medical Services:**

**Conference Report:** The Conference Report provides \$466.8 million.

**[Senate-passed bill:** Provides \$454.1 million for Medical Services, which is \$39.1 million above the House-passed bill. The President made no request for supplemental funds for this account.]

**Veterans Health Administration, Medical Administration:**

**Conference Report:** The Conference Report provides \$250.0 million.

**[Senate-passed bill:** Provides \$250.0 million for Medical Administration, which is \$6.3 million below the House-passed bill. The President made no request for supplemental funds for this account.]

**Veterans Health Administration, Medical Facilities:**

**Conference Report:** The Conference Report provides \$595.0 million.

**[Senate-passed bill:** Provides \$595.0 million for Medical Facilities, which is equal to the House-passed bill. The President made no request for supplemental funds for this account.]

**Veterans Health Administration, Medical and Prosthetic Research:**

**Conference Report:** The Conference Report provides \$32.5 million.

**[Senate-passed bill:** Provides \$30.0 million for Medical Administration, which is \$5.0 million below the House-passed bill. The President made no request for supplemental funds for this account.]

**Veterans Benefits Administration, General Operating Expenses:**

**Conference Report:** The Conference Report provides \$50.0 million.

**[Senate-passed bill:** Provides \$83.2 million for the hiring and training of new compensation and pension claims adjudicators, which is \$16.0 million below the House-passed bill. The President made no request for supplemental funds for this account.]

**Department of Veterans Affairs, Information Technology Systems:**

**Conference Report:** The Conference Report provides \$50.0 million.

**[Senate-passed bill:** Provides \$35.1 million for Information Technology related to technology support and improvements for processing veterans claims, which is \$1.1 million above the House-passed bill. The President made no request for supplemental funds for this account.]

**Department of Veterans Affairs, Minor Construction:**

**Conference Report:** The Conference Report provides \$326.0 million.

**[Senate-passed bill:** Provides \$355.9 million for Minor Construction, which is \$ \$95.9 million above the House-passed bill. The President made no request for supplemental funds for this account.]

## Title IV – Other Matters

### **Farm Service Agency:**

**Conference Report:** The Conference Report provides \$37.5 million.

**[Senate-passed bill:** Provides \$75.0 million for maintenance and repair of the Farm Service Agency's data processing center located in Kansas City, Missouri. Neither the President's request nor the House-passed bill included similar funding.]

### **Office of Federal Housing Enterprise Oversight (OFHEO):**

**Conference Report:** The Conference Report provides \$6.2 million.

**[Senate-passed bill:** Provides \$4.8 million for OFHEO for ongoing litigation and staffing costs associated with the office's oversight responsibilities for Fannie Mae and Freddie Mac.]

## Title V – Agricultural Assistance

**Commodity Credit Corporation Fund:** Provides \$3.5 billion to the Commodity Credit Corporation to make assistance available for production losses and other consequences due to natural disasters.

<b>Emergency Farm Relief Act of 2007 (in millions of dollars)</b>	<b>Request</b>	<b>Senate-Passed</b>	<b>Conference</b>
Crop Disaster Assistance	0	2,090	1,850
Livestock Assistance	0	1,553	1,413
Dairy Producers	0	95	20
Emergency Conservation	0	35	20
Flood Crop and Grazing Land	0	6	0
Sugar Beet and Sugar Cane	0	27	0
Small Business Economic Loss Grant Program	0	100	0
Tree Assistance Program	0	40	0
Conservation Security	0	115	115
Insect Damage	0	20	0
Additional Farm Service Agency staff	0	30	30
Extension of MILC	0	31	31
Low-Income Migrants	0	0	21

Emergency Watershed Protection	0	50	0
	\$0	\$4,142	\$3,500

Title V eliminates several funds directed to spinach, sugar, and tree producers. It also does not contain the peanut storage funds contained in the Senate-passed version. Funds for dairy losses are decreased from approximately \$95 million to \$20 million. Money to aid small businesses affected by agriculture disaster is reduced to \$21 million. In addition, the Senate bill had permitted producers to receive assistance even if they could have obtained crop insurance but did not, or if they failed to apply for uninsured assistance but did not. The conference report eliminates this provision. Finally, the Conference Report does not permit producers to receive payment for multiple years of production losses. Producer must elect a single calendar year.

Title V includes a provision to extend the Milk Income Loss Contract (MILC) program by one month, which would increase spending by \$31.0 million in FY07. Extending MILC through the end of 2007 means that at the direction of Chairman Conrad, CBO will assume the program is extended in the baseline for the 10-year budget window. As a result, when the Agriculture Committee actually authorizes extension of the MILC program, it will not be charged any cost for that extension. That means this supplemental is creating a cost that no committee will be charged for – it is a loophole in budget enforcement. Over the 2008-2017 period, this extension would increase spending by \$2.4 billion.

## **Title VI – Elimination of SCHIP Shortfall and Other Matters**

**Conference Report:** The Conference report provides \$650.0 million to eliminate anticipated State Children’s Health Insurance Program (SCHIP) funding shortfalls for fiscal year 2007 for 14 states.

**Senate-passed bill:** Section 2704 includes language which amends the Social Security Act to provide the additional amount necessary to eliminate anticipated SCHIP funding shortfalls in FY07.]

**Conference Report:** On Medicaid, the Conference report prohibits, for one year following enactment, implementation of a CMS regulation which tightens the rules about how states can receive federal Medicaid matching funds. It also, for one year following enactment, prohibits implementation of any rules restricting Medicaid graduate medical education payments to health providers.

**Senate-passed bill:** Instead of prohibiting such Medicaid regulatory actions for only one year, the Senate-passed version would have delayed them for two years. This would have cost more than the one-year prohibition in the Conference report.]

**Conference Report:** To offset these two Medicaid provisions, the Conference report withholds federal Medicaid matching funds from providers who do not use tamper-proof prescription pads – for FY 2008 onward. And it also extends Wisconsin’s SeniorCare drug program, authorized by Medicaid waiver, until the end of 2009. However, CMS does not agree that the program has achieved any federal savings.

**Senate-passed bill:** The Senate bill would have instead offset these two Medicaid provisions by increasing the rebates drugmakers are required to offer Medicaid programs, in essence lowering the price Medicaid has to pay for drugs.]

## **Title VII – Fair Minimum Wage and Tax Relief**

### **Minimum Wage**

The Conference Report provides for a phased increase in the federal minimum wage to \$7.25 an hour in 26 months. It would also apply the federal minimum wage to the Commonwealth of the Northern Marianas Island and America Samoa, and provides a series of increases until the minimum wage on these islands reaches the federal minimum wage level.

The Conference Report includes a requirement (that was not in the Senate-passed bill) that the Bureau of Labor Statistics conduct a study to assess the impact of the increase in the federal minimum wage, and to project the impact of any further wage increase on the living standards and rates of employment in America Samoa and the Commonwealth of the Northern Marianas Islands.

### **Small Business Tax Provisions**

**The Work Opportunity Tax Credit (“WOTC”).** WOTC allows employers credits against wages for hiring individuals from one or more of nine targeted groups (such as recipients of public assistance, qualified veterans on assistance, and “high risk youth”). The proposal extends WOTC for more than 3 years (through September 31, 2011). *The proposal is estimated to cost \$2.185 billion over five years and \$2.571 billion over ten years.*

**Section 179 Small Business Expensing.** In lieu of depreciation, small business taxpayers may elect to deduct (or expense) the cost of qualified assets (or property) they purchase in the year when the assets are placed in service, within certain limits. Currently, in 2007, small business taxpayers are allowed to expense \$112,000 (indexed for inflation), and the phase-out threshold is \$450,000 (indexed for inflation). The proposal increases the expensing limit to \$125,000 and the phase-out to \$500,000 for 2007 (indexed for inflation) and extends through 2010. The proposal is effective for taxable years beginning after December 31, 2006. *The proposal is estimated to cost \$3.503 billion over five years and \$68 million over ten years.*

**Extension of GO Zone Small Business Expensing.** The proposal extends for one year section 179 small business expensing allowed for certain GO Zone businesses. The proposal applies to property placed in service after December 31, 2007 and before January 1, 2009. *The proposal is estimated to cost \$9 million over five years and \$2 million over ten years.*

**Extension and Expansion of Low-Income Housing Credit Rules for Buildings in the GO Zones.** The proposal extends to December 31, 2010 the placed-in-service deadline for properties located in the GO Zone, Rita GO Zone, and Wilma GO Zone allocated a Low Income Housing Tax Credit in 2006, 2007, or 2008. In addition, the proposal extends the GO Zone, Rita GO Zone, and Wilma GO Zone difficult-to-develop-area designations until December 31, 2010. The proposal also allows GO Zone, Rita GO Zone, and Wilma GO Zone properties placed in service by December 31, 2010 to use

9-percent credits with “disaster relief” CDBG funds loaned at below-market rates. The proposal is effective on the date of enactment. *The proposal is estimated to cost \$221 million over five years and \$221 million over ten years.*

**Bond Financing Rules for Repairs and Reconstructions of Residences in the GO Zones.** The proposal waives the Mortgage Revenue Bond program's 20-year and existing walls rules for qualified rehabilitation in the GO Zone, Rita GO Zone, and Wilma GO Zone for owner-financing provided after enactment of this provision and before January 1, 2011. *The proposal is estimated to cost \$16 million over five years and \$16 million over ten years.*

**GO Zone GAO Study.** This proposal requires GAO to conduct a study on the practices employed by the State and local governments in allocating and utilizing tax incentives provided pursuant to the GO Zone Act of 2005 and to report to Congress within one year of enactment its findings. The proposal is effective on the date of enactment. *The proposal is estimated to have no revenue effect.*

**Enhancement of the Tip Credit for Certain Small Businesses.** The proposal allows businesses to continue claiming the full tip credit despite an increase in the Federal minimum wage. The proposal achieves this by freezing the Federal minimum wage level for purposes of calculating the credit. The proposal applies to tips received for services performed after December 31, 2006. *The proposal is estimated to cost \$185 million over five years and \$457 million over ten years.*

**Family Business Tax Simplification.** Under current law, if an unincorporated business that is jointly owned by a married couple files as a sole proprietorship (as opposed to a partnership), only the filing spouse will receive credit for paying Social Security and Medicare taxes. The proposal allows an unincorporated business that is jointly owned by a married couple in a common law state to file as a sole proprietorship without penalty. The proposal also ensures that both spouses receive credit for paying Social Security and Medicare taxes. The proposal is effective for taxable years after December 31, 2006. *The proposal is estimated to have a negligible revenue estimate.*

**Waiver of Individual and Corporate Alternative Minimum (“AMT”) Limitations on WOTC and Tip Credits.** The proposal would provide a permanent waiver of the individual and corporate AMT limitations for WOTC and the tip credit. The proposal is effective for credits determined in taxable years after December 31, 2006. *The proposal is estimated to cost \$581 million over five years and \$617 million over ten years.*

**Capital Gain Not Treated as Passive Investment Income.** The proposal eliminates gains from sales or exchanges of stock or securities as an item of passive investment income. The proposal applies to taxable years beginning after the date of enactment. *The proposal is estimated to cost \$146 million over five years and \$361 million over ten years.*

**Treatment of Bank Director Shares.** The proposal clarifies that qualifying director shares are not treated as a second class of stock for purposes of subchapter S. The proposal applies to taxable years beginning after December 31, 2006. *The proposal is estimated to cost \$87 million over five years and \$201 million over ten years.*



**Treatment of Banks Changing from Reserve Method of Accounting.** The proposal allows a bank which changes from the reserve method of accounting for bad debts to elect to take into account all adjustments the year before it changes to an S corporation. Adjustments taken into account the year before the corporation changes to an S corporation are only subject to corporate-level taxation. The proposal applies to taxable years beginning after December 31, 2006. *The proposal is estimated to cost \$83 million over five years and \$199 million over ten years.*

**Treatment of Disposition of an Interest in Qualified Subchapter S Subsidiary.** The proposal provides that where the disposition of stock of a QSub results in the termination of the QSub election, the disposition is treated as a disposition of an undivided interest in the assets of the QSub (based on the percentage of the stock disposed of) followed by a deemed transfer to the QSub. The proposal applies to taxable years beginning after December 31, 2006. *The proposal is estimated to cost \$19 million over five years and \$46 million over ten years.*

**Elimination of Earnings and Profits Attributable to Pre-1983 Years.** The proposal provides in the case of any corporation which was not an S corporation for its first taxable year beginning after December 31, 1996, the accumulated earnings and profits of the corporation as of the beginning of the first taxable year beginning after the date of the enactment of this proposal is reduced by the accumulated earnings and profits (if any) accumulated in a taxable year beginning before January 1, 1983, for which the corporation was an electing small business corporation under subchapter S. The proposal applies to taxable years beginning after the date of enactment. *The proposal is estimated to cost \$13 million over five years and \$21 million over ten years.*

**Deductibility of interest expense on indebtedness incurred by an acquiring business trust to acquire S corporation stock.** The proposal enables an electing small business trust (“ESBT”) to deduct interest expense it incurs when it borrows funds to purchase S corporation stock. The current disallowance of the deduction for such interest by an ESBT is reversed and given consistent treatment with other S corporation shareholders. The proposal applies to taxable years beginning after December 31, 2006. *The proposal is estimated to cost \$18 million over five years and \$64 million over ten years.*

## **Offsets**

**Increase in the Minimum Wage.** Increasing the Federal minimum wage rate will reduce the amount of credits taxpayers claim under the FICA tip tax credit. The proposal is effective on the date of enactment. *The proposal is estimated to raise \$185 million over five years and \$457 million over ten years. The Congressional Budget Office has estimated all other revenue effects from increasing the minimum wage, as originally provided in H.R. 2, as being small and of indeterminate size.*

**Increase in Age of Minor Children Whose Unearned Income is Taxed as Parents’ Income.** The proposal raises the age to 19 (24 if a student) under which the unearned income of minors who provide less than half their support with earned income is taxed at their parents’ tax rate. The proposal applies to all unearned income (not just dividends and capital gains) and allows the lower dividends and capital gains rates to apply if the parents are eligible for the lower rates. The proposal is effective for taxable years after the date of enactment. *The proposal is estimated to raise \$608 million over five years and \$1.432 billion over ten years.*

**Modify Interest Suspension Rules.** In general, the IRS may charge interest and certain penalties on tax deficiencies that are determined after a tax return is filed, e.g., as the result of an audit. The proposal modifies the 18-month rule by extending the period to 36 months. The proposal is effective for notices provided by the Secretary or his delegate after six months after the date of enactment. *The proposal is estimated to raise \$1.157 billion over five years and \$2.430 billion over ten years.*

**Modification of Collection Due Process Procedures For Employment Tax Liabilities.**

Under the proposal, a “Disqualified Employment Tax Levy” is not entitled to a pre-levy collection due process hearing if the person subject to the levy, or any predecessor thereof, has requested a due process hearing with respect to unpaid employment taxes arising in the two-year period before the beginning of the taxable period to which the levy applies. The proposal is intended to prohibit employers from using the collection due process to delay or prevent the IRS from collecting delinquent trust fund employment taxes. The proposal applies to levies served on or after the date that is 120 days after the date of enactment. *The proposal is estimated to raise \$163 million over five years and \$288 million over ten years.*

**Permanent Extension of IRS User Fees.** The proposal makes permanent the fees the IRS is authorized to charge for private letter rulings and other forms of guidance. *The proposal is estimated to raise \$0 over five years and \$90 million over ten years.*

**Understatement of Taxpayer Liability by Return Preparers.** The proposal expands the application of preparer penalties to all types of tax returns, including employment, excise, exempt organizations, and estate and gift. It increases the amount of the penalty for the understatement of a taxpayer’s liability by a tax return preparer to the greater of \$1000 or 50-percent of the income derived by the tax return preparer with respect to the return or claim. The penalty for an understatement due to willful or reckless conduct is increased to \$5000 or 50-percent of the income derived. Current penalty amounts often are considered to be a cost of doing business rather than a deterrent. The proposal applies to returns prepared after the date of enactment. *The proposal is estimated to raise \$31 million over five years and \$82 million over ten years.*

**Increase in Penalty for Bad Checks and Money Orders.** The minimum penalty for bad checks and money orders is increased from \$15 on checks of \$750 or less, to \$25 on checks of \$1250 or less. The penalty amounts last were increased in 1988, so the proposal updates the amounts to keep pace with rising costs. The proposal applies to checks and money orders received after the date of enactment. *The proposal is estimated to raise \$12 million over five years and \$22 million over ten years.*

**Erroneous Refund Claim Penalty.** The proposal creates a 20-percent penalty on claims for refund that are filed without any reasonable basis. The penalty is applied to the “excessive amount” of the claim, the amount by which the claim exceeds the amount allowable. The proposal does not apply to any portion of the excessive amount of the claim to which other penalties apply. The proposal applies to claims filed or submitted after the date of enactment. *The proposal is estimated to raise \$26 million over five years and \$98 million over ten years.*

## Cost

### **Budget Authority:**

(amount in millions)

Fiscal Year 2007 \$124,153

### **Outlays:**

(amount in millions)

Fiscal Year 2007 \$31,935

Fiscal Year 2008 \$50,031

Fiscal Year 2009 \$26,318

Fiscal Year 2010 \$10,840

Fiscal Year 2011 (and future years) \$ 7,745

### **Revenue Effects:**

(amount in millions)

Fiscal Year 2007 (\$ 166)

Fiscal Year 2008 (\$ 318)

Fiscal Year 2009 (\$ 422)

Fiscal Year 2010 (\$ 3,559)

Fiscal Year 2011 (\$ 2,245)

Future Years (2012-2017) \$ 6,757

**Budget Enforcement:** Because total appropriations in the bill breach the 2007 emergency spending cap that was included in the Deeming Resolution last year, **a 302(f) point of order lies against the bill**. In addition, the Senate is still enforcing the 2006 budget resolution for other budget points of order in the Senate. The net tax provisions in the bill reduce revenues over the 2006-2010 period (by \$4.5 billion), and violate paygo over that period (by \$4.5 billion). Since there is no more room to reduce revenues and no more room on the paygo scorecard, **the bill is subject to a 311(a)(2)(B) (revenue aggregate) and a paygo point of order**. All three points of order require 60 votes to waive.